HONORABLE TIMOTHY W. DORE

HEARING DATE: WEDNESDAY, SEPT. 12, 2018
HEARING TIME: 11:00 A.M.
LOCATION: SEATTLE, COURTROOM 8106
RESPONSE DATE: AT TIME OF HEARING

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re OCEAN SERVICES, LLC,[1] Debtors.	Lead Case No. 18-13512 DECLARATION OF DANIEL W. STABBERT IN SUPPORT OF FIRST DAY MOTIONS

DANIEL W. STABBERT declares as follows:

1. I am the founder, principal owner, and manager of the Stabbert Group. I have personal knowledge of the facts set forth herein, am competent to testify to the same, and make this declaration in support of the first day motions filed in these jointly-administered Chapter 11 cases ("First Day Motions"). Capitalized terms no defined herein shall have their meanings as ascribed in the applicable First Day Motion.

2. Founded more than 25 years ago and headquartered in Seattle, the Stabbert Maritime group of entities (the "Stabbert Group") owns and charters three large multi-purpose specialty

[1] The Debtors are Ocean Services, LLC, Bankruptcy Case No. 18-13512, Ocean Carrier Holding, LLC, Bankruptcy Case No. 18-13513, Ocean Carrier Holding S. de R.L. de C.V., Bankruptcy Case No. 18-13514, Ocean Constructor Holding, LLC, Bankruptcy Case No. 18-13515, Ocean Intrepid Holding, LLC, Bankruptcy Case No. 18-13516, Ocean Starr Holding, LLC, Bankruptcy Case No. 18-13517, and Stabbert Maritime Holdings, LLC, Bankruptcy Case No. 18-13518.

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construction vessels primarily to Mexican entities contracted to survey, maintain and repair pipeline and oil platform infrastructure in the Gulf of Mexico.

3. Historically, the Stabbert Group has generated annual gross revenues in excess of $50,000,000 when its vessels are being fully utilized in a healthy oil and gas market. For instance, in 2015, gross revenues totaled approximately $56,000,000, with EBITDA of $22,000,000.

4. The well-documented downturn in the oil and gas industry over the last few years created challenges for supporting industries such as the Stabbert Group. Beginning in late 2014, oil prices began a significant decline, dropping from a high of more than $100 per barrel in July 2014 to below $30 per barrel in February 2016. The industry has improved since that valley at a fairly steady, gradual pace. Oil prices continue to strengthen.

5. The heart of the Debtors' business, chartering their large commercial vessels, has historically been focused in the Gulf of Mexico. Over the last five years, the Stabbert Group vessels have typically been chartered by Mexican companies that, in turn, have contracts and business dealings with Pemex, the Mexican state-owned petroleum company.

6. The industry's downturn lagged the dramatic decrease in oil prices, so that it was only in the past two years that the Stabbert Group's vessel utilization rates have been negatively impacted. While charter opportunities were sparse in 2016 and 2017, due to the natural lag behind the oil price recovery, the charter market has noticeably improved, and new opportunities are now presenting themselves.

7. Despite the challenges it has faced, the Stabbert Group has been able to continue to operate its business interests while keeping its vendors and suppliers generally current.

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8. In addition, it has substantially reduced its secured bank debt from almost $57,900,000 in January 2016 to less than $42,000,000 today. This secured bank debt is owed to a group of lenders comprised of Columbia State Bank ("Columbia Bank"), Washington Federal, National Association, Umpqua Bank, and MUFG Union Bank, N.A. (together, the "Senior Secured Lenders").

9. The debt is secured by preferred ship mortgages against the Stabbert Group vessels discussed in detail below and liens on all or substantially all of the Debtors' other assets. Stabbert Maritime is the borrower, and the other Debtors are guarantors of these loans. Columbia Bank serves as the administrative and collateral agent for the Senior Secured Lenders (the "Agent").

10. Recently, the Debtors struggled to make the scheduled principal payments on the secured bank debt due to the lack of charter opportunities and reduced day rates for the vessels during the last couple of years. In late 2016, Stabbert Maritime defaulted under certain covenants in place under the loan documents. In response, and the Senior Secured Lenders, Stabbert Maritime and the other Debtors entered into a forbearance agreement and a series of amendments thereto beginning in May 2017.

11. Stabbert Maritime was able to continue to make meaningful principal reductions and pay interest current during 2017. By the end of 2017, however, it was clear that Stabbert Maritime would not be in a position to make ongoing scheduled principal payments, and continuing to operate under forbearance agreements was no longer a viable option for the Senior Secured Lenders or Stabbert Maritime.

12. Beginning in early March 2018, the Debtors and Senior Secured Lenders began negotiations in an attempt to reach an agreed restructure of the loans. After months of negotiations, the parties reached agreement on a Loan Restructuring Terms Sheet (the "Term Sheet"), which was

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executed effective July 11, 2018. The Term Sheet provides for agreed restructure terms to be implemented through Chapter 11 cases.

13. The Debtors have filed these cases primarily to restructure their secured obligations owed to their Senior Secured Lenders, as well as other liabilities to third-party creditors.

The Vessels

14. The Stabbert Group owns three large multi-purpose specialty construction vessels: the Intrepid, the Constructor, and the Carrier, as well as the Starr, a science research vessel (each, a "Vessel," together, the "Vessels").

15. In February 2018, the Senior Secured Lenders, which hold preferred ship mortgages against the Vessels, obtained independent third party valuations of the Vessels. Following is the fair market value of each vessel based on those valuations:

Vessel	**Fair Market Value**
Intrepid	$49,571,000
Constructor	$34,986,205
Carrier	$16,480,000
Starr	$ 1,600,000
Total	**$102,637,205**

16. Fair market values generally reflect what a willing buyer would pay a willing seller when neither is compelled to buy or sell.

17. The following is the orderly liquidation value based upon the same valuations:

Vessel	**Orderly Liquidation Value**
Intrepid	$30,528,000
Constructor	$24,490,343
Carrier	$10,148,000
Starr	$ None provided
Total:	**$65,166,343**

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18. Orderly Liquidation Values generally reflect the amount that would typically be realized from a liquidation sale, given a reasonable time to find a buyer, with the seller being compelled to sell as of a specific date.

19. The Intrepid is owned by Debtor Ocean Intrepid Holding, LLC.: The Intrepid is a 381 foot 14,000 horsepower self-propelled construction barge equipped with redundant dynamic positioning systems ("DP2"), 17,728 square feet of open deck space and accommodations for 267 people. The Intrepid's equipment includes a 400 metric ton crane capable of working surface projects to 203 feet in height and subsea projects to over 9,000 feet of depth, a helicopter pad, and a 978 square foot moon pool for supporting sub-sea operations. The Intrepid supports maintenance and repair operations on existing oil and gas platforms and is capable of supporting topside and subsea construction including pipeline installations world-wide.

20. The Intrepid is currently under charter to Demar Instaladora Y Constructora, S.A. De C.V. ("Demar"), in support of Demar's ongoing contract with Pemex. The charter to Demar commenced in February 2018 and is scheduled to last a year, with Demar's option to extend the charter for an additional year. The amount paid per day by Demar under the charter is $29,664, except from December 21st through February 20th when the rate is reduced to $17,040. This is called the "day rate." It costs approximately $15,000/day (excluding taxes) to operate the Intrepid, thus the daily net cash to the Stabbert Group before taxes is over $14,000/day.

21. The Constructor is owned by Debtor Ocean Constructor Holding, LLC. The Constructor is a 413 foot 18,000 horsepower vessel equipped with redundant dynamic positioning systems, 17,760 square feet of open deck space, and accommodations for 200 people. The Constructor's equipment includes a 300-ton crane capable of working surface projects to 210 feet in height and sub sea projects to over 7,000 feet in depth, a 25-ton crane, helicopter pad, dual moon

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pools to support sub-sea operations, two Triton diving support vehicles ("ROVs"), and an internal rotating carousel that can accommodate 2,200 tons of tubing and or fiber optic cables for sub sea installations. The Constructor supports maintenance and repair operations on existing oil and gas platforms and is capable of supporting topside and subsea operations including pipeline and fiber optic installations world-wide.

22. The Constructor is currently under charter to Central de Desarrollos Marinos S.A. de C.V. ("Protexa") for a period of 120 days, which commenced on July 26, 2018, at a day rate of $32,500. Protexa has the right to extend the charter. The daily cost to operate the Constructor is approximately $15,000 (excluding taxes), with a daily net cash benefit to the Stabbert before taxes of approximately $17,500.

23. The Carrier is owned by Ocean Carrier Mexico. The Carrier is a 270 foot, 12,000 horsepower vessel equipped with redundant dynamic positioning systems (DP2) with open deck area of over 5,000 square feet and accommodations for 148 people. The Carrier's equipment includes a 150-ton crane capable of working surface projects to 135 feet in height and sub-sea projects to over 1,500 feet in depth, a 15-ton crane, a 144 square foot moon pool for supporting diving operations, and a helicopter pad. The Carrier has supported sandblasting and painting of oil and gas platforms, subsea dredging, subsea surveying and coring, and diving operations.

24. Pursuant to a pre-petition agreement with the Senior Secured Lenders, the Carrier is currently listed for sale with Marcon International, Inc. at a listing price of $16.5 million. In addition, the Carrier began a charter with Aqueos on April 24, 2018 in support of a contract with Pemex. The charter was extended through September 15, 2018 unless earlier terminated by Aqueos' client with minimum 3 days' notice. The day rate of the charter is currently $22,000. The daily cost to operate

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the Carrier is approximately $16,000 (excluding taxes), with a daily net cash benefit to the Stabbert Group of approximately $6,000 before taxes.

25. The Starr is owned by Debtor Ocean Starr. The Starr is a 171 foot science research vessel with accommodations for 36 people, temperature controlled aquaria and line specimen rooms, dark room, data process lab and sophisticated hydrographic and oceanographic deck machinery.

26. The Starr is not currently under charter. There are ongoing efforts to sell the Starr.

27. Multiple-purpose specialty vessels, such as the Intrepid, the Constructor, and the Carrier, are highly regulated and require technical sophistication to operate. Their propulsion systems interface with the computer programs within their dynamic positioning systems to allow them to hold a position in spite of wind, waves, and current within a meter and not move. This unique capability allows these vessels to be used alongside critical structures as close as one meter for performing tasks and to hold specific positions while working subsea projects, including diver and remote operated vehicle support. Their dual redundancy means they can lose propulsion units, main generators, and even positioning computers and still maintain their working position to within one meter.

28. With the recent recovery and stabilization of oil prices, oil dependent nations and companies have seen their oil fields becoming profitable again. As discussed below, the large multi-purpose specialty construction vessels are once again under charter in the Mexican Gulf after extensive periods of inactivity. This recent charter activity reflects the continuing recovery of the Mexican oil and gas industry.

29. In addition, it is expected that Mexico will continue to be a growing market for expanding oil and gas activity due, in part, to a December 2013 Constitutional Amendment that ended the Mexican Government's monopoly on oil and natural gas extraction/production which, in turn, led to sales of offshore leases to multi-national oil companies for deep water development. This change

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allows private investment in the Mexican energy sector. With its extensive operating history and local presence in Mexico, the Stabbert Group is well positioned to benefit from the recovery of the market in Mexico, both within the national energy sector as well as supporting multi-national offshore development.

30. In addition to Mexico, other areas around the world create demand for the vessels, including Africa, Asia, and India, all of which are experiencing market rebounds similar to that in Mexico.

31. The profitability of the Vessels depends on day rate and utilization rate. Day rate is the daily rate paid under a charter agreement for a vessel. Utilization rate refers to a vessel's days under charter. At this time, the long-term charters of both the Intrepid and the Constructor signal healthier financial times. While the day rates for both are currently in the $30,000 range, the industry's continued recovery can reasonably be expected to increase day rates to the levels seen in 2015 and 2016, which hovered in the $45,000 and greater range for vessels like the Intrepid and Constructor. Since the daily operating costs for these vessels generally run approximately $15,000 per day regardless of the day rate, the cash benefits to the Stabbert Group will be dramatic as day rates return to more normalized levels.

32. When the Vessels are not under charter ("On Charter"), they can be maintained in two different ways. The first option, referred to as "Warm Stacked," is to keep the vessel maintained with a small crew and other necessary shore power and support so that it can commence a new charter quickly. The approximate daily Warm Stacked costs for the three large vessels is as follows: Intrepid ($10,000); Constructor ($8,000); and Carrier ($8,000). The second option, referred to as "Cold Stacked," means a vessel is not crewed, has minimum shore power and other support, and will require

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substantial expense and time to return to work. The approximate daily Cold Stacked cost for the Starr is $1,500. The Starr is currently Cold Stacked.

33. During these negotiations between myself and Cheryl Stabbert as DIP Lender, on the one hand, and the Debtor, on the other hand, with respect to post-petition financing, Bush Kornfeld represented the Debtors. The law firm of Cairncross & Hempelmann, P.S. represented Cheryl Stabbert and me as the DIP Lender. The negotiations involved specific terms on which each party would be willing to provide postpetition financing, and spanned the better part of two weeks. Counsel proposed and negotiated an escrow to hold the DIP Loan funds, to be disbursed as approved by the Bankruptcy Court.

34. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

DATED in Seattle, Washington, this 7th day of September, 2018.

/s/ Daniel W. Stabbert
Daniel W. Stabbert

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